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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 003629

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SUBJECT: IRAQI VICE PRESIDENT ABDEL MEHDI UPDATES
AMBASSADOR ON RECENT POLITICAL DEVELOPMENTS

Classified By: AMBASSADOR ZALMAY KHALILZAD FOR REASONS 1.4 (B) AND (D).

¶1. (C) SUMMARY: Vice President Adel Abdel Mehdi told the Ambassador on September 25 that a modified version of the Shi'a coalition's (UIC's) draft law on region formation would be read on September 26 according to a September 24 agreement between parliamentary bloc leaders (septel). He said that "options are open" for further modification of the law before voting, however. Abdel Mehdi agreed with the Ambassador on the importance of contract authority and other issues related to hydrocarbons legislation and asked for technical assistance from the Embassy in studying options. Noting the Ambassador's concern at how slowly the government appeared to be disbursing money for economic development in Baghdad, Abdel Mehdi offered to host a meeting between the Ambassador and the Mayor of Baghdad to resolve the issue. END SUMMARY.

Federalism and the Package Deal

¶2. (C) Abdel Mehdi said he was "half-happy" with the September 24 deal on the regions law given the compromises the UIC had made to reach the deal. He noted that "options are open" for modifying the regions law before it goes to the floor for a vote. Abdel Mehdi described Tawafuq leaders as "confused between themselves" on federalism, acknowledging at the same time that the UIC also had internal divisions between the Sadrists and Fadhila and the rest of the coalition. Yet the major problem facing Tawafuq, Abdel Mehdi continued, was "explaining the deal to their people." The Ambassador noted that polling showed that many Shi'a as well as Sunnis were against federalism and suggested that the UIC also had to work to educate the Shi'a public, a point with which Abdel Mehdi agreed.

¶3. (C) The Ambassador then asked Abdel Mehdi if the UIC version of the regions law would permit a region to be formed without the approval of a majority of voters in one province as long as an overall majority of voters in the prospective region voted in favor. Abdel Mehdi denied that such an outcome could occur under the law, arguing that "that would not be logical or democratic" and asking an assistant for a copy of the UIC law to review. (NOTE AND COMMENT: The UIC version does appear to permit such an outcome, as a referendum needs the approval of "a simple majority of voters" to be approved. Abdel Mehdi seemed genuinely unaware of this interpretation, and his reaction suggests that the UIC will be open to changing the language to address the concern. END NOTE AND COMMENT.) The Ambassador raised the idea of a retreat between political leaders to develop a larger package deal on major outstanding issues including federalism and hydrocarbons. Abdel Mehdi seemed open to the idea and emphasized that it was important to include Prime

Minister Maliki closely in such conversations "to help build his confidence."

The Kurds and the Oil Law

¶4. (C) The Ambassador asked Abdel Mehdi the extent of SCIRI and the UIC's involvement to date in developing national hydrocarbon legislation. The Ambassador observed that one key issue would be what entity was empowered to sign contracts, noting that the Kurds' desire to give regions the power to sign contracts without approval from the central government was a potential problem. The Ambassador told Abdel Mehdi he had urged KRG President Masoud Barzani not to move ahead on hydrocarbons legislation for KRG before national legislation was passed. Abdel Mehdi agreed that the issue of who could sign hydrocarbons contracts could be a problem, said his team would "begin to study the issue from tomorrow," and requested technical assistance from the Embassy in studying the key issues.

¶5. (C) Abdel Mehdi then expressed his "astonishment" at a letter he recently received from KRG Prime Minister Nechirvan Barzani designating a KRG "representative" to the central government. "What does that mean?" he asked rhetorically, noting that the Kurds had plenty of representation in all central government institutions. The Ambassador said that the concept was puzzling to him as well and suggested that Abdel Mehdi raise the issue with Barzani on Barzani's upcoming trip to Baghdad.

The Problem of Spending Money

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¶6. (C) After a brief discussion of the security situation in Baghdad, which Abdel Mehdi characterized as "better overall, though this wasn't a good week," the Ambassador turned the conversation to economic development efforts. He mentioned that the U.S. was trying to spend on the order of 350 million USD over the next six months in Baghdad on employment projects such as neighborhood clean-ups, to loan money to businesses, to provide vocational training, and on many other projects. The U.S. also would like the Iraqi government to spend up to 500 million USD on top of the USG expenditure, the Ambassador continued, but it seemed that the mayor of Baghdad was not moving quickly to disburse the money. The Ambassador stressed that he had not met the mayor personally and would like to meet him to discuss the issue. Abdel Mehdi said that in his judgement the mayor was someone who "takes risks" and can get things done, and offered to host a meeting between the Ambassador and the mayor.
KHALILZAD